

Public Oversight Hearing on
The Matter of
“Fiscal Year 2001 Spending and
Status of Fiscal Year 2002”

Federal Grants Management

Before

The Committee on Public Services

The Honorable David A. Catania, Chairman

Council of the District of Columbia



Testimony of Stanley Jackson, Director
Department of Housing and Community Development

FRIDAY FEBRUARY 22, 2002

INTRODUCTION

Good morning Chairperson Catania, Councilmembers, and Council staff! My name is Stanley Jackson. I am the Director of the Department of Housing and Community Development (DHCD or Department). Present with me are:

- Carlynn Fuller, Chief Operating Officer;
- Paul Savage, Deputy Director for Policy, Strategic Planning, and Communications;
- Vanessa Akins, Deputy Director, Residential and Community Services;
- Henry Mosley, Chief Financial Officer;
- Wilma Matthias, Deputy Director, Office of Program Monitoring; and
- Jerry Williamson, Chief, Development Finance Division.

I come before you today to testify on Fiscal Year 2001 spending results and the state of Fiscal Year (FY) 2002 management of DHCD's Federal grants.

The District receives four major entitlement grants from the U.S. Department of Housing and Urban Development (HUD). DHCD administers the Community Development Block Grant (CDBG), the HOME Investment Partnerships Program (HOME), and the Emergency Shelter Grants Program (ESG).

The fourth, Housing Opportunities for Persons with AIDS Program (HOPWA) is administered by the D.C. Department of Health Administration for HIV/AIDS.

In FY 01 the Department's Federal budget allocation was \$40.1 million. The revised total Federal budget available for expenditure was \$81.3 million. Of this amount, DHCD expended \$47.8 million with \$31.4 million obligated, leaving \$2.1 million in uncommitted funds carried over to FY 02. In FY 02, DHCD's Federal budget allocation is \$42.1 million. The proposed revised Federal budget available for expenditure is \$75.7 million.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME PROGRAMS

The CDBG and HOME programs are the most broad-reaching housing and community development initiatives in the District of Columbia. CDBG funds are the most flexible and can be used for a variety of projects/activities that serve low and moderate-income residents. HOME funds are primarily for projects that create and expand the supply of affordable rental and ownership housing units both new and rehabilitated for low-income and very low-income resident households. DHCD manages the combined resources from the CDBG and HOME grants to reflect HUD's mandated goals to:

- Increase home ownership opportunities
- Increase the supply of affordable housing for renters and homeowners
- Support neighborhoods revitalization with economic opportunities for low to moderate income residents

Additionally, our funding strategies reflect the wishes of our citizens as expressed through the citywide strategic plan and citizen participation in developing our Annual Consolidated Action Plans. The Consolidated Action Plan is both DHCD's application for funding and a report on how the Department will spend its grant allocation.

INCREASED HOME OWNERSHIP OPPORTUNITIES

In FY 01, DHCD budgeted \$9 million to provide 460 Home Purchase Assistance Program (HPAP) loans to first-time home buyers. In FY 02, DHCD budgeted \$12 million for HPAP and our goal is to provide 536 loans. During the first quarter of FY 2002, DHCD has provided 98 HPAP loans. In addition, DHCD provided HOME funds to the DC Housing Finance Agency to assist in lowering mortgage loans to enable very low-income residents to become homeowners. In FY 01, these funds provided for 37 mortgage loans for very-low income owners.

DHCD funds a network of Community Based Organizations (CBOs) to support programs that provide housing counseling, loan application assistance and home ownership training. DHCD also provides a Tenant First Right to Purchase Program that enables low and moderate income renters to purchase their buildings and a Tenant Purchase Technical Assistance Program that provides services to tenant groups who are attempting to purchase their building. In FY 01 and FY 02 we will provide 18,000 residents with homeownership training.

During calendar year 2000, the Single Family Residential Rehabilitation Program had to immediately adjust its program and incorporate the HUD's Lead Base Paint

Abatement Requirements (Lead Safe Housing Rule 24 CFR 35) into its procedure. Because DHCD failed to request a waiver that would have allowed us a transition period to build capacity and continue with our program without delays until September 2001, we were required to integrate the Lead Base Paint Abatement Requirements to our inventory. This caused delays in the construction phase of this program.

DHCD is currently considering options to expedite the elimination of the backlog in the Single Family Residential Rehabilitation Program while conducting an overall assessment of the program to make it more efficient, effective, and attractive to DC residents. We are currently working with District Of Columbia Housing Authority to develop an Memorandum of Understanding that will allow for the inspection (lead/housing code), rehabilitation work plans, contractor selection, construction and construction management to be provided by one source. This MOU should facilitate the Department's ability to remedy the backlog of cases currently in our inventory.

INCREASED AFFORDABLE HOUSING

In FY 01, DHCD budgeted \$12.6 million for the rehabilitation and construction of 2,985 units of housing, community facilities, and façade improvements.

For FY 02, DHCD has budgeted \$14.8 million for rehabilitation and construction of 1,517 units of housing, community facilities, centers, and façade improvements. As of January 2002, the Department has already closed loans on the rehabilitation of 1,160 housing units.

COMMUNITY AND NEIGHBORHOOD REVITALIZATION SUPPORT

Increasing homeownership and increasing our supply of affordable housing are part of the revitalization picture, but they are not the whole picture. Communities thrive with attractive business districts, community services, parks, facade improvements, and other components that turn bricks and mortar projects into vital neighborhoods.

In FY 01, DHCD budgeted \$5.7 million to support initiatives that promote neighborhood revitalization. Of the \$5.7 million, \$4.2 million was allocated to the Neighborhood Development Assistance Program (NDAP), which funded 11 CDCs.

In FY 2002, DHCD budgeted approximately \$6 million, of which \$5.5 million was allocated to NDAP to fund 12 CDCs and/or CBOs. These organizations undertake targeted neighborhood revitalization activities such as providing technical assistance to businesses, commercial facade improvement, single-family rehabilitation demonstrations and public service activities.

Through all the initiatives that I have discussed, an added value is the creation of jobs for low-to-moderate income residents. This increases the value of these programs in communities and promotes economic vitality throughout our neighborhoods.

EMERGENCY SHELTER GRANTS (ESG) PROGRAM

The Emergency Shelter Grants (ESG) program is currently administered through the Community Partnership for the Prevention of Homelessness. The ESG is designed to prevent people from becoming homeless, improve the quality of existing emergency shelters for the homeless, assist in making additional shelters available, help meet the costs of operating emergency shelters, and provide certain essential social services to homeless individuals.

Over the past several years the Department has not done a good job in monitoring or managing the ESG Program. As a result, ESG fund has not been expended timely. The department is currently reassessing how to improve ESG funding distribution for the upcoming year. Our plan is to work in concert with the Deputy Mayor for Children, Youth, Families and Elders, to improve the delivery of services to the homeless. The objective of this partnership is a more efficient flow of these funds.

IMPROVEMENTS TO GRANT MANAGEMENT

DHCD intends to improve its monitoring of all grant funds. We have developed a spending plan that we will rigorously follow to ensure that our funds are expended in a timely and appropriate manner. We are redesigning programs such as our Single Family Residential Rehabilitation Program, both to streamline processing and to bring ourselves into compliance with the Lead Based Paint Safe Housing

Rule. These actions will help to bring us into compliance with our annual expenditure requirements with HUD.

We are undertaking other efforts as well. For example, we are implementing a new project tracking system that will enable us to increase the accuracy of our input into HUD's Integrated Disbursement Information System. We have availed ourselves of HUD technical assistance programs to help us improve the efficiency and controls with which we obligate our funds; especially HOME-funded multi-family projects. We are also strengthening our subrecipient monitoring processes to ensure that grant funds are expended in a timely and appropriate manner. Finally, DHCD will centralize and formalize procedures for a dedicated grants management function that will pursue other Federal and private grants to carry out activities such as fair housing education, evaluation and reduction of lead based paint hazards, and to enhance and supplement existing programs.

In closing, Chairman Catania, I would like to thank you and your staff for the opportunity to work together for the benefit of the District of Columbia and its residents. This concludes my testimony. Members of the DHCD Team and I will be happy to answer any questions that you may pose.